

Report



JUNCTION



ANNUAL REPORT
2008-09



MEGHMANI ORGANICS LIMITED

CHEMISTRY OF SUCCESS AT WORK



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MEGHMANI ORGANICS LIMITED



CORPORATE INFORMATION

BOARD OF DIRECTORS

Jayanti M Patel
 Ashish N Soparkar
 Natwarlal M Patel
 Ramesh M Patel
 Anand I Patel
 Ashvin Raythatha
 Balkrishna T Thakkar
 Chinubhai R Shah
 Jayaraman Vishwanathan
 K N Venkatasubramanian (Resigned on 26.05.2009)
 Chandan Bhattacharya
 K H Patel (appointed on 24.10.2008)

AUDIT COMMITTEE

Balkrishna T Thakkar
 Chinubhai R Shah
 Jayaraman Vishwanathan

NOMINATING COMMITTEE

Jayanti M Patel
 Chinubhai R Shah
 Chandan Bhattacharya

REMUNERATION COMMITTEE

Chinubhai R Shah
 Balkrishna T Thakkar
 Natwarlal M Patel

SHAREHOLDERS' / INVESTORS' GRIEVANCE, SHARE ALLOTMENT AND SHARE TRANSFER COMMITTEE

Balkrishna T Thakkar
 Chinubhai R Shah
 Ashish Soparkar

COMPANY SECRETARY

Kamlesh Dinkerray Mehta

REGISTRAR & SHARE TRANSFER AGENT

Link Intime India Private Limited
 C-13, Pannalal Silk Mills Compound
 LBS Road, Bhandup (West),
 Mumbai 400 078. India.
 Telephone No. : +91 22 2596 0320
 Fax No. : +91 22 2596 0329

MEGHMANI ORGANICS LIMITED



CORPORATE INFORMATION

SINGAPORE DEPOSITORY SHARES ("SDSs") REGISTRAR AND SDSs OFFICE

Tricor Barbinder Share Registration Services
8 Cross Street # 11,
PWC Building,
Singapore 048424
Telephone No. (65) 6236 3552
Fax No. (65) 6236 3405
E-mail : helpdesk@meghmani.com

SINGAPORE SECRETARIAL AGENT

Tricor Evatthouse Corporate Services
8 Cross Street # 11,
PWC Building,
Singapore 048424
Telephone No. (65) 6236 3510
Fax No. (65) 6236 4399
E-mail : helpdesk@meghmani.com

REGISTERED OFFICE

Plot No. 184, Phase II,
G.I.D.C. Vatva, Ahmedabad -382 445
Telephone No. 91-79-25831210
Fax No. 91-79-25833403
E-mail : helpdesk@meghmani.com

MEGHMANI ORGANICS LIMITED



CORPORATE INFORMATION

PLANT LOCATION

1. Pigment Green - Division

Plot No. 184, Phase II,
G.I.D.C. Vatva, Ahmedabad -382 445
Telephone No. 91-79-25831210
Fax No. 91-79-25833403
E-mail : helpdesk@meghmani.com

2. Agro Division - I

Plot No. 402,403,404 & 452,
Village Chharodi,
Taluka Sanand,
District :- Ahmedabad
Telephone No. 91-2717-273251
Fax No. 91-2717-273254
E-mail : helpdesk@meghmani.com

3. Pigment Blue - Division

Plot No. 21,21/1,
G.I.D.C. Panoli,
District :- Bharuch
Telephone No. 91-2646-276352
Fax No. 91-2646-276374
E-mail : helpdesk@meghmani.com

4. Agro Division - II

5001/B, G.I.D.C. Ankleshwar,
District :- Bharuch
Telephone No. 91-2646-222971
Fax No. 91-2646-222965
E-mail : helpdesk@meghmani.com

5. Agro Division - III

Plot No - CH-1+2/A
GIDC Dahej Taluka - Vagra
District - Bharuch -392130
Telephone No. 91-2641-256677 /88
E-mail : helpdesk@meghmani.com

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PRINCIPAL BANKERS

State Bank of India,
Overseas Branch,
Navjivan Trust Building,
Ahmedabad - 380 014

HDFC Bank Limited
Mithakhali, Ahmedabad - 380 009

ICICI Bank Limited
JMC House, Opp. Parimal Garden,
Ambawadi, Ahmedabad - 380 006

AUDITORS

M/s Patel & Khandwala
204, Akik, Opp. Lions Hall,
Mithakhali, Ahmedabad - 380 009

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MEGHMANI ORGANICS LIMITED**CHAIRMAN'S STATEMENT**

Dear Shareholders,

It gives me immense pleasure to extend a very warm welcome to all the members of the Company at the 15th Annual General meeting. I am very pleased and elated to note the keen level of interest in Meghmani Organics Limited, India's fast growing chemicals manufacturing company.

Before I share with you the highlights of MOL's performance in the Fiscal year 2008-09, let me convey to all of you the happy tidings that Meghmani Finechem Limited, our new multi-million rupee, large scale, integrated complex erected to manufacture Caustic Chlorine at Dahej in South Gujarat has commenced trial production. The new venture would also manufacture hydrogen gas as well as caustic/chlorine derivatives subsequently. We are absolutely confident that our newest venture would be another sparkling jewel in the MOL's crown.

The year in numbers:

The year under review has turned out to be the best year for both our Agro-chemical and Pigment businesses. In fact, it has been the finest ever in MOL's journey, in spite of the fact that business environment worldwide from the third quarter of fiscal 2008-09 started to reel under the twin impact of global financial melt down and deep recessionary trends. It was obvious that MOL too would be impacted by the gloomy business weather. First, there was the unbridled increase in the price of crude oil. Secondly, input costs for our products were rising consistently.

But MOL, with quick strategic responses and cost cutting measures ensured that it remained on its growth track and delivered a commanding performance in both Agro-chemical and Pigment businesses. Our emphatic focus on growth has resulted in strong trading volumes, coupled with a healthy increase in profits and earnings.

Our persistent endeavours towards growth have been rewarding. MOL group, for the year ended March 31, 2009 recorded a turn in after tax profit of Rs 371 million on the back of a revenue generation of approximately Rs. 7.91 billion. On a like-for-like basis these compare with profit after tax of Rs 307 million and revenue of Rs 5.90 billion rupees in the 12-month period.

Spearheading the growth in the Group's revenue was our Agrochemicals business segment with a contribution of approximately Rs. 4.27 billion marking a 69% increase from revenue of almost Rs. 2.52 billion in FY 2007-2008. Our Pigments division contributed Rs. 2.26 billion to the Group revenue, against Rs. 2.28 billion in the year ago period.

Overall, during the year, despite the global melt down and recession across the globe the Company could achieve excellent growth in international market and recorded a 31% growth, this resulted in improving the profitability. The Group recorded a gross profit of over Rs. 1.66 billion, while gross profit margin came in at 21.0% compared to 16.2% previously.

Besides international Agrochemical producers, there are competitors in India having similar products as our Company. Our quality, technical competence, distribution channels, logistics facilities, after sales service and customer relationships make MOL a preferred supplier.

Moving in parallel with revenue growth, distribution expenses grew by 21.7% to Rs. 97.3 million. The bulk of distribution expenses are attributed to increase in freight (marine), clearing, forwarding charges and packing material costs, which is in line with increase in production. Finance costs for FY 2008-2009 registered an increase of 60.2% to Rs. 98 million, brought about by a higher utilization of working capital facilities due to increase in operation. The administrative expenses increased by Rs. 270 million. The main contributory is foreign exchange rate gain/loss. The earnings per share rose to Rs 1.47 per share from Rs. 1.27 per share at the end of March 2008. On the strength of this performance your board is recommending a dividend of Rs. 0.33 per share.

Review of Core Business Segments:

Export sales of Pigment Division decreased by 6.6 % mainly due to decrease in quantity sales. A sustained focus on new customer base was amply rewarded by a 17.8 per cent boost to the domestic sales of Pigment. The agro-chemical business of the group also saw favourable trade winds. The domestic sales of agro-chemicals increased by 25.4 % while export sales increased by 105.7% thanks to increased sales of Acephate, Cyper Tech and Imida Technical.

MEGHMANI ORGANICS LIMITED**Registrations:**

Registrations for two new products in Australia and USA were received. Contribution of these two products in total exports was quite significant in 2008-09.

We currently hold 140 registrations worldwide and have 400 registrations pending in 55 countries around the world. Being a manufacturer and distributor of existing molecules with expired patents, we consider registration as crucial and therefore considerable investments are focused on registrations. Our focus on research and development has also led to an increase in the number of products developed, which has translated, into numerous applications for registrations for our products.

The Company expects further penetration in both the markets in the current year. Based on the success that has been seen in the largest agrochemical market - Brazil in 2008-09 through our strategic partners, it has been decided to proceed with having our own registrations in this market. This would involve some investment in data generation. A few molecules have also been identified.

The focus for the year will remain Brazil and the African market, as well as getting registrations of three products with the World Health Organization (WHO) and Food & Agriculture Organization (FAO) under United Nations, which would allow us access to vast tenders floated by these agencies for humanitarian work. The Company has floated its own subsidiary in Indonesia in 2008-09 and three product registrations have already been received in 2008-09. Three other products will be registered in 2009-10 and it will give us access to this huge pesticides market.

Review by geographical markets:

The singular factor that has driven the group's business last year was the excellent performance of products in North America. With sales revenue of Rs. 1937 million, this market outperformed itself over the last year's achievement by 119 per cent. Australia and Asia were the regions that recorded the next highest growth with an increase of 36 and 40 percent respectively. The African and South American regions registered a growth of 37 per cent respectively in revenue generation. Europe however witnessed a slight decline.

Industry Prospects**Agrochemicals Global Scenario**

Even though the manufacturing industries globally are in the vice-like grip of recession, firms producing agro-chemicals are expected to hold up better than the overall chemicals industries according to a report by Standard & Poor Ratings Services.

The report adduces continuing growth in world population, improving standard of living, energy diversification, as factors that make the outlook for agro-chemicals companies favourable. Worldwide agro-chemical firms have posted strong operating results in 2008 and are expected to continue to perform well into 2009, given the underlying fundamentals. In fact more than one published report on chemical industry speaks of agro-chemical sector as a bright spot in the decelerating global economy.

Agro chemicals industry globally is worth USD 40 billion. This industry has been clocking a compounded annual growth rate of more than 8% over the last years. This reflects that there is brisk demand for pesticides and other chemicals that are used to save crops from pestilence and disease.

In spite of the downward trends in chemical industry agrochemicals segment worldwide grew at an unprecedented level in 2008-09 on account of many reasons - unparalleled grain prices resulting in increase in demand for pesticides, favorable weather conditions in many parts of the world, increase in crop acreage, etc.

Domestic Market Scenario

In the domestic market, as farmers continue to get hikes in minimum support prices and also enjoy the benefit of irrigation facilities, farmers are resorting to intensified usage of protection products like pesticides and insecticides. Forecasts have it that the industry is estimated to grow at 12 to 15% in volume terms at least for the next five years. This implies that in addition to bright prospects in the global market, MOL could also garner a higher market share in the domestic market.

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This trend is expected to continue in 2009-10. In order to meet the demand and continue with the market penetration process that was started last year, the Company has invested in adding production capacities for the existing product lines. Capacity was increased for Chlorpyrifos and Synthetic Pyrethroids with minimal investment. This is likely to boost our presence in markets like Asia, North & Latin America, Africa, Central Asia & East European markets. In-house R&D efforts for launch of new generation pesticides are currently on.

Pigments

The Indian Chemical Industry is a critical constituent of the national economy. Its size is estimated at around US\$ 35 billion, which is equivalent to about 3% of India's GDP. In terms of volume, it is 12th largest in the world and 3rd largest in Asia.

The industry is registering significant growth in the knowledge sector comprising specialty chemicals, pharmaceuticals and fine chemicals. Pigment manufacturing occupies a pride of place in this industry.

MOL is in pigment business as almost all industrial sectors need pigments, with printing ink, paints, lacquers and plastics being the growth markets. More and more manufacturers use new colours and visual effects for their packaging and advertising material. In addition, sectors such as cosmetics, paper, textile, building material, ceramics, and glass make great demands on pigments to add more brilliance to their products. The textile industry increasingly substitutes pigments for dyes.

The production processes of our Pigments businesses are vertically integrated. We manufacture CPC Blue which is the primary raw material required in the manufacture of our Pigment Green and Pigment Blue products. Such vertical integration allows us to effectively manage our raw materials costs.

The Company specializes in the manufacture of Green and Blue pigment products that span multiple applications such as printing inks, plastics, paints, textiles, leather and rubber. Its pigment customers comprise mainly MNCs who are leading players in their respective industries.

The down turn in the global economy however is impacting pigment business and there is a likelihood of the market continuing to contract by 2010.

New Developments for Long Term Sustainable Growth:

To achieve and sustain growth in business, the group has floated trading subsidiaries in Indonesia. PT Meghmani Indonesia will focus on trading of Agro chemicals. Meghmani Europe located in Belgium and Meghmani Organics Incorporated in USA are taking care of trading of Pigment. A representative office has been opened in China whose responsibility is to procure raw materials at competitive prices.

The Company is planning to set up a Chlorine based manufacturing facility of Agrochemical at GIDC Dahej. The Company is also planning to manufacture Agrochemical Technical Viz., Propinofos.

We have consciously developed our intellectual property rights in the form of trademarks for our products, as well as our logo and corporate name. Our logo and name, viz. "MOL" and "Meghmani" have been registered as trademarks. We have 24 trademarks registered and 8 applications are pending.

We believe that our trademarks have significant value and are important to our brand building efforts and aid in the marketing of our products.

OUTLOOK FOR 2009-10**Raw Material Price**

Because of the recent financial meltdown coupled with volatility in foreign exchange market, the raw material prices could slide down and this will have its consequences on finished goods prices, impacting MOL's profitability.

Market Price

The global markets for pigment products have shown signs of being impacted by recession. The likely continuance of this recessionary trend in this quarter and the coming quarters could witness pressure on pricing. The Agrochemical market, however, may sustain its growth.

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Profitability

The Group revenue, Gross Profit and Net Profit after tax of FY2008- 2009 have increased despite global meltdown. With the market dynamics are changing rapidly it is probable the Group Profitability may get impacted due to continued recessionary trends.

Acknowledgment

On behalf of the Board and the Management team, we wish to thank you for your unstinting commitment and trust in us. We will continue to build the business and deliver attractive returns.

My hearty appreciation is also due to the employees of the Company at all levels for their consistent high-level performance, commitment to goals of the Company and for their unstinted team effort.

Our Company is built over a period of three decades and draws immeasurable strength from transparency, fairness, accountability and merit based professional environment. I wish to reaffirm that no efforts will be spared to maintain the growth.

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